



ESG Allocation Slides

Advantages of ESG vs. Growth Model



Advantages of ESG Model:

- › **Specific Socially Responsible Focus:** the investment selection in this portfolio is driven primarily by socially responsible investing. Every product follows an ESG process when selecting securities.
- › **Impact Investing Option:** As part of this portfolio, we have included impact investments in place of alternatives. These provide specific socially responsible allocations in asset classes that have similar correlation profiles to our current alternatives.
- › **Lower Expense Ratio:** due to our increased use of ETFs and the lower cost of active management, the all-in expense ratio for the ESG strategy is actually slightly lower than the current model.

Advantages of Growth Model

- › **More vehicle options:** The options available to include in the growth model span thousands of mutual funds and ETFs across hundreds of different asset classes and structures. We have the ability to get exposure in many more areas with this portfolio.
- › **Longer Track Record:** The strategies that we are using generally have longer track records than those in the ESG portfolio. This gives us a better understanding of what to expect moving forward based on the performance of the past.
- › **No AUM Concerns:** Because these strategies have been around longer, there are more assets in the products. This alleviates any sort of liquidity constraints specifically within the mutual funds.
- › **Broader asset allocation choices:** Our asset allocation options are less restricted and the managers that we are investing with are less restrictive. While ESG can have positive effects on investments long term, it does immediately eliminate many investment options or principles.

What stays the same?

- › **Broad Asset Allocation:** The broad asset allocation remains the same, attempting to mirror percentages invested by asset class.
- › **Similar Risk/Return Profile:** Across our different portfolios the risk/return profile is similar between growth and ESG models.
- › **Diversified Portfolio:** Both portfolios are properly diversified without investing in too many asset classes.
- › **Opportunity to Outperform Benchmark:** While the current growth portfolio has more of a quantifiable track record, both of these portfolios provides investors with an opportunity to outperform our internal benchmark over time.

ESG Examples

Drilling into fund holdings

Brown Advisory: Microsoft Corp.

- › **Brown ESG Process:** Every name must meet a sustainability screen that requires companies to grow revenue, improve costs, or enhance franchise value
- › **Microsoft Corp.:** Microsoft is a leading developer of software and hardware services. Strong sustainable business can be found in the company's Azure cloud computing platform and infrastructure; when customers move their services to a Microsoft hosted cloud, they are able to reduce their per-user carbon footprint by up to 90%. Moreover, Microsoft has been operating as a carbon neutral company since 2012 when the company implemented its own internal carbon fee.



Source: Microsoft

Invesco Water Resources: American Water Works

- › **Invesco Water Resources Fund Criteria:** In order for a stock to make the Vert portfolio it must be top 25% in all E,S, and G categories or top 10% in at least one.
- › **American Water Works:** provides drinking water, wastewater, and other water related services in multiple states and Ontario, Canada. The company's primary business involves providing water to residential, commercial, and industrial customers.



AMERICAN WATER

Source: American Water

ESG Examples

Drilling into fund holdings

Vert Real Estate: Digital Realty

- > **Vert Real Estate Fund Criteria:** In order for a stock to make the Vert portfolio it must be top 25% in all E,S, and G categories or top 10% in at least one.
- > **Digital Realty:** Digital Realty is a leading data center REIT. Through its commitment to renewable energy, Digital Realty managed a 24% reduction in green house gas emissions even though energy use climbed as business grew



DIGITAL REALTY

Source: Digital Realty

RBC Emerging Markets Example Naspers

- > **Naspers:** Naspers is a South African holdings company for a group of corporations that operate in the electronic and print media industries. The group provides television subscription, internet services, and publishes in print. Naspers is the largest holding in the RBC Emerging Markets Equity Fund.
- > **RBC ESG Scoring (scale 0-100):**
- > Franchise: 98 Corporate Governance: 88
- > Management Quality: 96 **Overall: 94.4**



NASPERS

Source: Naspers

ESG Examples

Insight on impact investing

Calvert Impact Investing: Industry leader

- > **Impact Investing:** Calvert is a signatory to key global accords with UN Global Compact, PRI, Women's Empowerment Principles and SASB.
- > **Corporate Engagement:** Calvert has an extensive history multi-stakeholder engagement; in 2017 engaged with 40+ companies about science-based emissions targets and reached out to 300+ companies about disclosures and board diversity



Source: Calvert

Calvert Green Bond : Taxable Muni & Credit

- > **Green Bond Label:** A bond carries a green "label" if it adheres to the International Capital Market Association (ICMA) Green Bond Principles and an independent opinion provider certifies conformance to the principles at issuance.
- > **Example:** Massachusetts. Muni Water Utility Green Bond
- > **Example:** AGR 3.15; Avangrid is a U.S. based diversified energy and utility company that provides clean energy



Source: Avangrid



Source: State of Massachusetts

Calvert U.S. Large Cap Core CISIX



About the Fund:

- > **Overview:** Calvert is dedicated to responsible investing, with its Principles for Responsible Investing underpinning its approach to issuer evaluation and corporate stewardship
- > **Role in the Crestwood ESG portfolio:** CISIX represents the U.S. large cap allocation within the ESG portfolio

Investing Philosophy:

Every company is given an ESG score that determines its weight in the index. The screening process seeks to differentiate management teams on material ESG issues to then rate and rank peers

- > **ESG Structural Score:** Relative to its sub-industry, this framework assesses a company's ESG management and disclosure
- > **Product Impact Factor:** Way to determine if the company's products or services align with significant impact goals
- > **Circumstantial Factor:** Assesses near term ESG performance based on a company's implementation relative to its stated goals

Calvert's Pillars For Responsible Investing



Performance

Our first responsibility is to seek strong portfolio returns.



Research

We conduct deep, proprietary research focused on material ESG issues.



Engagement

As shareholders, we actively engage with companies to help drive performance and social value.



Impact

We believe the impact of your investments should be material and measurable.

Source: Calvert

Returns Comparison



Source: Bloomberg

How ESG Fits Into the Process:

Every aspect of Calvert's investing process is driven by ESG factors and they are pioneers within responsible investing.

- > **Dedication to ESG:** proven long term track record of leadership and innovation in responsible investing; associated with Global Impact, SASB, Women's Empowerment, and PRI
- > **Proprietary Research:** team of dedicated ESG analysts covers different sectors and focus areas while a Responsible Research Review Committee provides oversight for all ESG activities
- > **Company Engagement:** Calvert has a history of actively engaging with companies to help drive performance and social values; in 2017, they engaged with 40+ companies on specific environmental issues and 300+ companies on disclosure and improving governance

Information is current and believed to be accurate as of 02/28/2019

Brown Advisory Sustainable Growth BAFWX



About the Fund:

- > **Role in the Crestwood ESG portfolio:** the role of BAFWX is to provide an alpha generating strategy within our U.S. equity allocation
- > **Overview:** concentrated growth portfolio focused on high quality companies with sustainable growth advantage

Investing Philosophy:

- 1) Durable fundamental strength:** need to have a durable business model held up by secular market drivers
- 2) Sustainable advantage:** must exhibit competitive differentiation and fit at least one element of sustainability screen
- 3) Compelling valuation:** stocks with favorable risk vs. reward trade-off, confirmed through research driven financial models

Returns Comparison



Source: Bloomberg

Capitalizing on Sustainable Business Advantage



Source: Brown Advisory

How ESG Fits into the process:

Every name must meet a sustainability screen that requires companies to grow revenue, improve costs, or enhance franchise value

ESG risk assessment is performed on any company in the pipeline of potential investments. This process lays the groundwork for the sustainability assessment:

- 1) Research:** ESG analysts identify what they believe to be material company/issuer-specific ESG risks and the company's ability to manage controversy
- 2) Communicate:** If analysis uncovers ESG risks, team notifies portfolio managers
- 3) Document:** research is saved to a shared repository accessible by portfolio managers and analysts

MSIM International Advantage Portfolio

MFAIX



About the Fund:

- > **Overview:** concentrated growth portfolio focused on quality companies with sustainable competitive advantages
- > **Role in the Crestwood ESG portfolio:** MFAIX should provide an alpha generating strategy within international developed allocation

Investing Philosophy:

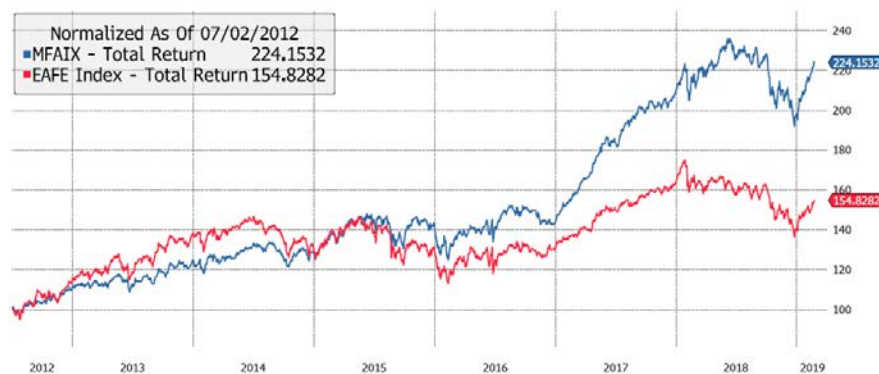
- > **Warren Buffett Style:** investment principles applied to growing companies
- > **Focus on sustainability:** long-term investments are best protected when sustainable, with respect to disruption, financial strength, and ESG externalities
- > **Enhanced long term investments:** aided by strong competitive advantages and growth that creates value

Quality Assessment Progression



Source: Morgan Stanley

Returns Comparison



Source: Bloomberg

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How ESG Fits into the process:

- > **Quality and sustainability are competitive advantages**
- > **Governance:** focused on management incentives, capital allocation, independent and engaged boards, and transparency of accounting.
- > **Environment:** management's ability to minimize externalities is crucial to efficient operations
- > **Consumers:** companies can protect reputation by ensuring product safety, responding to customer preferences and investing in communities
- > **Employees:** attracting and retaining talent is crucial given skilled human capital shortages
- > **Suppliers:** ensuring continuity of supply chains through effective management is increasingly important in an interconnected world

Calvert International Responsible Index CDHIX



About the Fund:

- > **Overview:** Calvert is dedicated to responsible investing, with its Principles for Responsible Investing underpinning its approach to issuer evaluation and corporate stewardship
- > **Role in the Crestwood ESG portfolio:** CDHIX will provide index exposure in the international developed portion of the asset allocation

Investing Philosophy:

Every company is given an ESG score that determines its weight in the index. The screening process seeks to differentiate management teams on material ESG issues to then rate and rank peers

- > **ESG Structural Score:** Relative to its sub-industry, this framework assesses a company's ESG management and disclosure
- > **Product Impact Factor:** Way to determine if the company's products or services align with significant impact goals
- > **Circumstantial Factor:** Assesses near term ESG performance based on a company's implementation relative to its stated goals

Returns Comparison



Source: Bloomberg

Calvert's Pillars For Responsible Investing

 <p>Performance</p> <p>Our first responsibility is to seek strong portfolio returns.</p>	 <p>Research</p> <p>We conduct deep, proprietary research focused on material ESG issues.</p>	 <p>Engagement</p> <p>As shareholders, we actively engage with companies to help drive performance and social value.</p>	 <p>Impact</p> <p>We believe the impact of your investments should be material and measurable.</p>
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Source: Calvert

How ESG Fits Into the Process:

Every aspect of Calvert's investing process is driven by ESG factors and they are pioneers within responsible investing.

- > **Dedication to ESG:** proven long term track record of leadership and innovation in responsible investing; associated with Global Impact, SASB, Women's Empowerment, and PRI
- > **Proprietary Research:** team of dedicated ESG analysts covers different sectors and focus areas while a Responsible Research Review Committee provides oversight for all ESG activities
- > **Company Engagement:** Calvert has a history of actively engaging with companies to help drive performance and social values; in 2017, they engaged with 40+ companies on specific environmental issues and 300+ companies on disclosure and improving governance

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RBC Emerging Markets Equity REEIX



About the Fund:

- > **Overview:** concentrated growth portfolio focused on quality companies with sustainable competitive advantages
- > **Role in the Crestwood ESG portfolio:** REEIX should provide an alpha generating strategy within emerging market equity allocation

Investing Philosophy:

- > **Focus on sustainability:** companies with sustainably high CFROI produce superior returns
- > **Emphasis on quality:** looking for quality companies that have the ability to grow, purchased at reasonable price
- > **Thematic research:** stock selection is driven by bottom up fundamental research but the team establishes long term broad research themes (domestic consumption, digitalization, infrastructure, etc.)

Returns Comparison



Source: Bloomberg

ESG Checklist: sustainability of franchise, management quality, and corporate governance

STRENGTH AND SUSTAINABILITY OF FRANCHISE		88
1	Will the company be around in 20 years time?	
2	Are there any issues with the business model or risks in general?	
3	Does the country generate sector/industry leading returns?	
4	What's the projected trajectory of returns? Is there any potential for return expansion or contraction?	
5	What is the source and how sustainable is the competitive advantage?	
6	Do the company's products or services have a positive impact on society?	
7	Do the product and services have a negative impact on the environment?	
8	Do the company's products and/or services represent good value for money to the consumer?	

Source: RBC

How ESG Fits Into the Process:

- > Every company selection comes following a meeting with management; goal is to answer a broad sustainability checklist focused on ESG:
 - 1) Strength & Sustainability of franchise:** determine if a company is an industry leader that will be around in the long term
 - 2) Management Quality:** determine a management's key performance indicators and track record of integrity
 - 3) Corporate Governance:** determine whether company works in best interest of its employees and shareholders and determine any areas of concern

Information is current and believed to be accurate as of 02/28/2019

iShares ESG MSCI US Small Cap ETF ESML

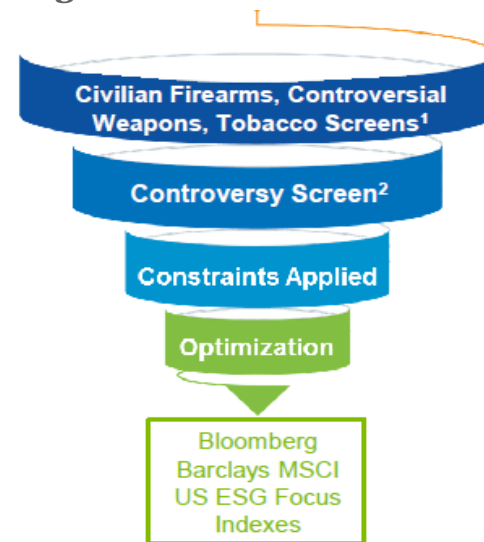
About the Fund:

- > **Overview:** tracks the MSCI USA Small Cap Index, tilting toward the highest ESG rated companies and achieving diversification within tracking error constraints
- > **Role in the Crestwood ESG portfolio:** ESML represents the U.S. small cap equity allocation within the ESG portfolio

Investing Philosophy:

- > **Initial Screen:** starting with the MSCI USA Small Cap Index, initial industry screens are applied eliminating firearms, controversial weapons, and tobacco
- > **Implementing Constraints:** goal is to have 50 bps of tracking error, sector weights +/- 500 bps of parent index, constituent weight +/- 200 bps of parent index
- > **Optimization:** appropriate tilt toward positive ESG performers on a sector to sector basis

Funneling Down From MSCI US Small Cap



Source: iShares

Returns Comparison



Source: Bloomberg

How ESG Fits Into the Process:

Individual company selection is based on ESG score using MSCI ratings relative to their respective sub-sectors

- 1) Potential to Identify long term risks or opportunities:** ESG screening can identify and measure risks and potential through issues not captured by financial analysis
- 2) MSCI Key Issue Hierarchy:** MSCI identifies key ESG issues where companies in that industry generate large environmental or social externalities
- 3) ESG Quality Score:** helps to quantify active ESG attributes relative to benchmark and peers including carbon risk reduction, increased gender diversity, and exposure to sustainable solutions goals

Information is current and believed to be accurate as of 02/28/2019

Vert Global Sustainable Real Estate VGSRX



About the Fund:

- > **Overview:** REIT portfolio that selects the best ESG actors within the global real estate landscape
- > **Role in the Crestwood ESG portfolio:** VGSRX provides the socially responsible real estate allocation within alternatives

Investing Philosophy:

- > **Key Performance Indicators:** use key performance indicators to determine real estate sustainability; metrics come from expert panels, academic research, and data analytics within ESG and real estate
- > **Sustainability and positive outcomes:** research has linked sustainable properties with higher cash flow, lower operational costs, and enhanced property values
- > **Emphasis on Responsible Property Investing:** stock selection is focused on those real estate companies that are leaders in energy conservation, environmental protection, green buildings, etc.

Returns Comparison

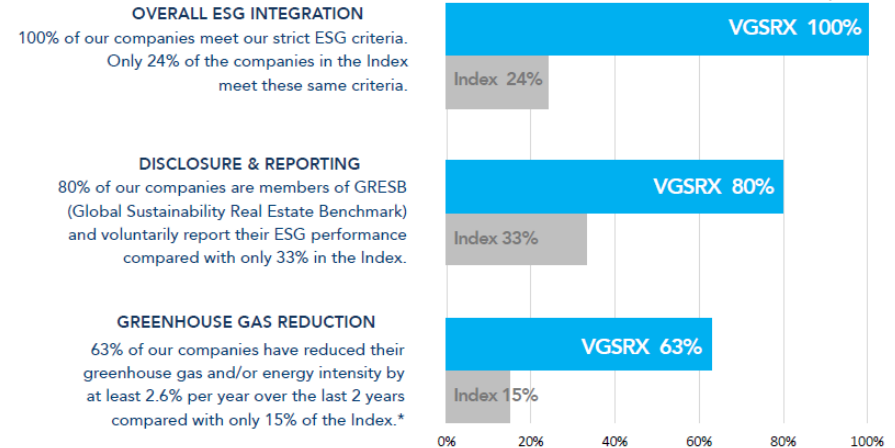


Source: Bloomberg

Positive Sustainability Outcome

VGSRX compared to the S&P Global REIT Index across ESG metrics.

As of March 31, 2018



This equates to a reduction of 594,401 metric tons of GHG or the equivalent of taking 127, 281 cars off the road.



Source: Vert

How ESG Fits Into the Process:

- > Stocks exhibiting the greatest ESG and sustainability characteristics make it into the fund; the security selection process filters down based on different criteria:
 - 1) Qualifying criteria:** companies that are proactively engaging with the three ESG elements remain
 - 2) Disqualifying Criteria:** companies are eliminated from selection if they experience controversy (bribery, corruption), business line (fossil fuels), or climate risk (flooding) issues
 - 3) Sustainability Screen:** companies achieving top quartile overall ESG scores or top decile in at least one real estate KPI are included; companies with only "some commitment" or less get excluded

Information is current and believed to be accurate as of 02/28/2019

iShares ESG 1-5 Year U.S. Corporate Bond SUSB

About the Fund:

- > **Overview:** tracks the Bloomberg Barclays 1-5 Year Index, tilting toward the highest ESG rated companies and achieving diversification within tracking error constraints
- > **Role in the Crestwood ESG portfolio:** SUSB represents the short term corporate strategy within the broad ESG portfolio

Investing Philosophy:

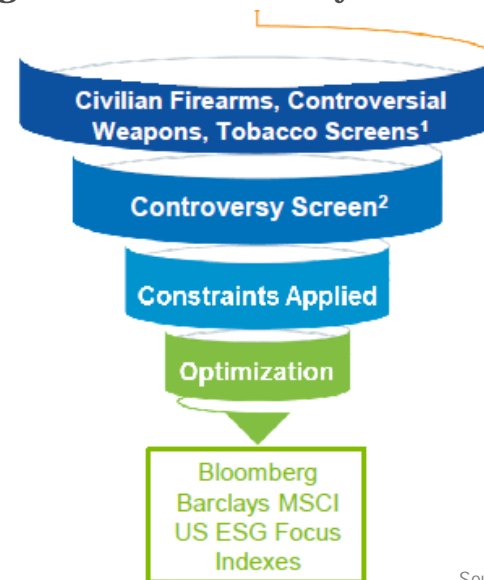
- > **Initial Screen:** starting with the Barclays U.S. Corporate 1-5 Year Index, initial industry screens are applied eliminating firearms, controversial weapons, and tobacco
- > **Implementing Constraints:** goal is to have 10 bps of tracking error compared to bench, same duration, higher yield, sector weights +/- 200 bps of parent index
- > **Optimization:** appropriate tilt toward positive ESG performers on a sector to sector basis

Returns Comparison



Source: Bloomberg

Funneling Down From Barclays U.S. 1-5 Yr. Index



Source: iShares

How ESG Fits Into the Process:

- > Individual company selection is based on ESG score using MSCI ratings relative to their respective sub-sectors
- 1) Potential to Identify long term risks or opportunities:** ESG screening can identify and measure risks and potential through issues not captured by financial analysis
 - 2) MSCI Key Issue Hierarchy:** MSCI identifies key ESG issues where companies in that industry generate large environmental or social externalities
 - 3) ESG Quality Score:** helps to quantify active ESG attributes relative to benchmark and peers including carbon risk reduction, increased gender diversity, and exposure to sustainable solutions goals

Information is current and believed to be accurate as of 02/28/2019

Calvert Green Bond Fund CGBIX

About the Fund:

- > **Overview:** Tracks the ICE BoA Green Bond Index. Green bonds represent a unique asset class that has a direct impact
- > **Role in the Crestwood ESG portfolio:** CGBIX is one of the core bond strategies within our ESG asset allocation

Investing Philosophy:

- > **Credit selection combines ESG and fundamental research**
- > **Credit Analysis:** review of leverage, event risk, and bond characteristics to determine likelihood of bond re-payment
- > **ESG Analysis:** relative peer rankings, performance trends, opportunities and engagement
- > **Technical Analysis:** review of issue expectations, liquidity, position sizing, and swap issues
- > **Structural Analysis:** understand capital structure, credit enhancement, convexity, covenants, etc.

Combining ESG and Fundamental Analysis



Source: Calvert

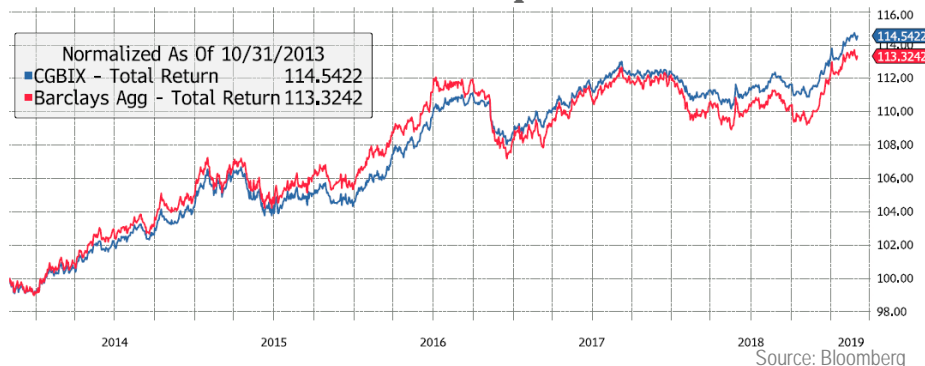
How ESG Fits Into the Process:

A bond carries a green label if it adheres to the International Capital Market Association Green Bond Principles; Calvert takes a holistic view of what defines green bonds:

- 1) Green Projects:** bonds for projects that are directed toward meeting green challenges
- 2) Solutions Providers:** general obligation bonds from corporate issuers who derive at least 50% of revenue from clean tech or environmentally friendly products or services
- 3) Leaders/Emerging Leaders:** corporate issuers who demonstrate environmental sustainability leadership by meeting Calvert Research System defined criteria

Information is current and believed to be accurate as of 02/28/2019

Returns Comparison



Touchstone Impact Bond Fund TCPNX



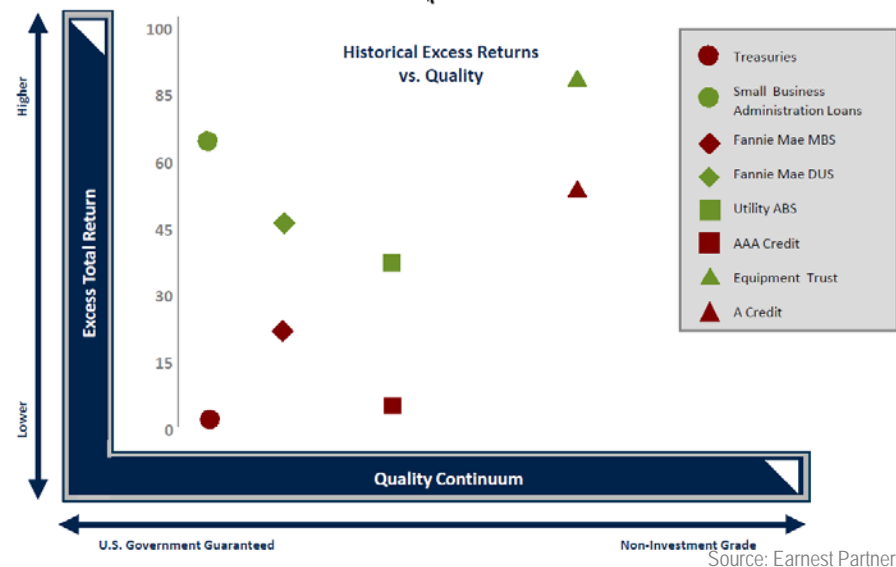
About the Fund:

- > **Overview:** TCPNX is benchmarked against the Barclays Aggregate Bond Index. The team is focused on high quality securities and believes an ESG focus leads to more success
- > **Role in the Crestwood ESG portfolio:** TCPNX represents a large portion of the core bond allocation in the portfolio

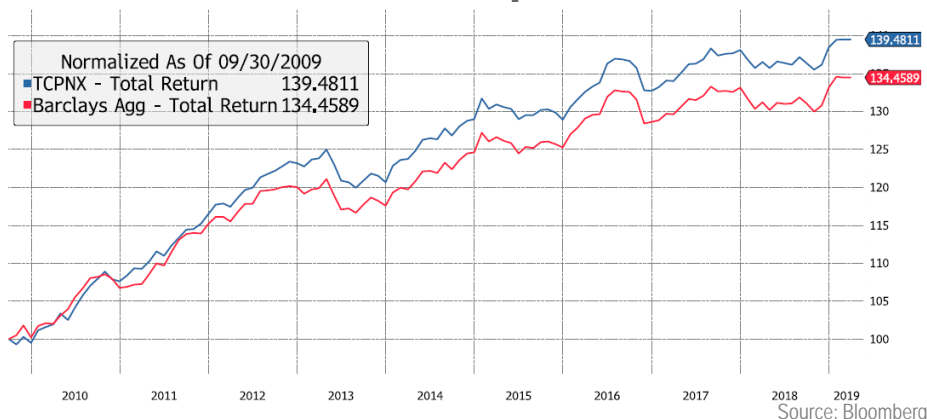
Investing Philosophy:

- > **Emphasis on Quality:** prefer beneficial structures such as government guarantees or significant tangible collateral support
- > **Sustainability:** prefer to invest in companies and government programs that have sustainable operating models by considering factors such as economic development, home ownership, and job creation
- > **Multi – Step Screening:** the team identifies potential growth catalysts for an individual issue, compares it to the relative sector, and determines pricing and downside before entering portfolio

Focus on Higher Quality



Returns Comparison



How ESG Fits Into the Process:

- > Touchstone believes proactive investment approach to ESG is a key aspect to investment returns; investing in government programs add societal value
- 1) Long Track Record:** Touchstone has been utilizing ESG integration for over 20 years so it is built into the process
 - 2) Inclusive Approach:** Touchstone includes entities that are cognizant of ESG issues because they are more successful over time; inclusive approach views positive ESG characteristics as additive to risk/return profile
 - 3) Active Engagement as a Firm:** Touchstone is a signatory of UNPRI, member of the small business administration, and works with affordable housing lender programs

Information is current and believed to be accurate as of 02/28/2019

Invesco Water Resources ETF PHO



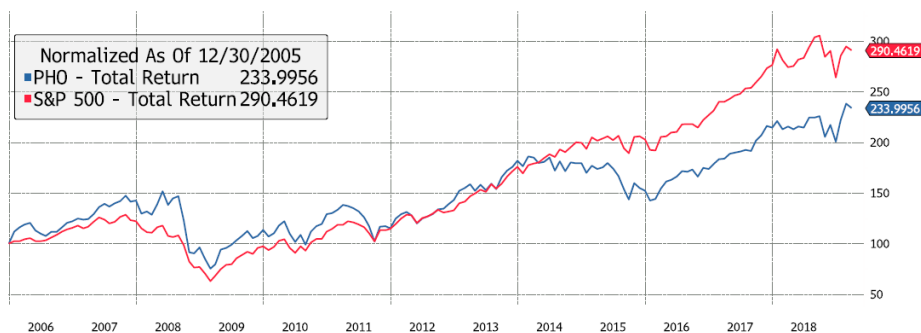
About the Fund:

- > **Overview:** tracks performance of the companies creating products that conserve and purify water for homes, businesses and industries listed on an U.S. Exchange
- > **Role in the Crestwood ESG portfolio:** PHO represents an impact investment; our impact investments are meant to act as “alternatives” with different return streams from the broad equity market

Investing Philosophy:

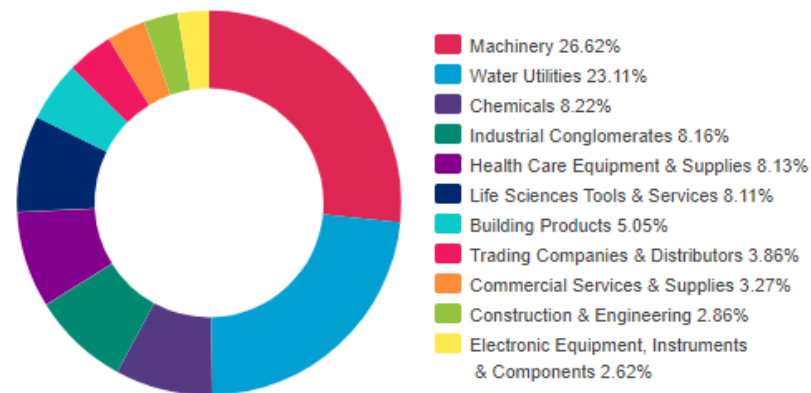
- > **Classification:** the issuer of the security must be classified as participating in the Green Economy as determined by SustainableBusiness.com LLC
- > **Liquidity Constraints:** each quarter the index is rebalanced so that the maximum weight does not exceed 8% with no more than 5 positions at that weight

Returns Comparison



Source: Bloomberg

Industry Breakdown – where PHO is invested



Source: Invesco

How ESG Fits Into the Process:

- > Quarter of the world’s population lives with extreme water scarcity for at least half the year
- > In the U.S. studies have shown unsafe levels of toxic chemicals in the drinking water of 33 states
- > As a way to proactively combat these issues, this fund invests in companies that focus on the following:
 - > Renewable energy that reduces water use
 - > Water recycling
 - > Capturing water from the air
 - > Air pollutant water monitors
 - > Technology to detect water pipeline leaks

Information is current and believed to be accurate as of 02/28/2019

Invesco Cleantech ETF PZD

About the Fund:

- > **Overview:** Seeks to reflect the growth and commercial success of the world's premier cleantech companies
- > **Role in the Crestwood ESG portfolio:** PZD represents an impact investment; our impact investments are meant to act as "alternatives" with different return streams from the broad equity market

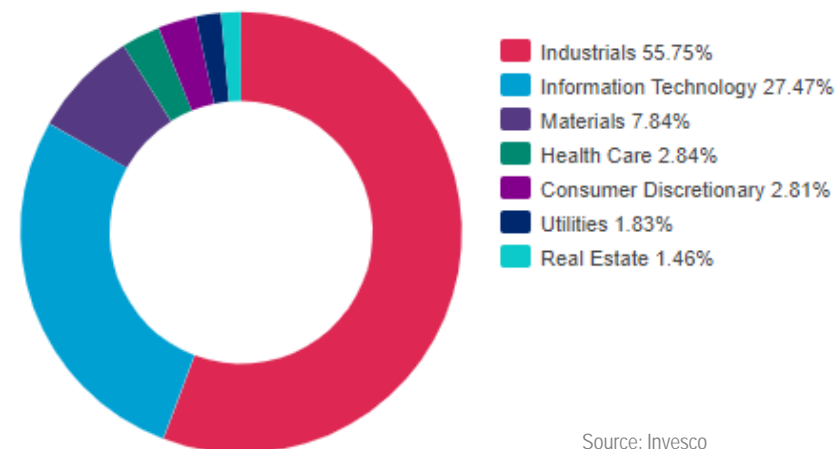
Investing Philosophy:

- > **Meaning of Cleantech:** companies qualifies when it derives 50% of revenue from a cleantech business; examples include power generation, transportation efficiencies, environmental quality, etc.
- > **Quality Screen:** screens cleantech companies based on investment merit screening based on earning quality, growth potential, financial strength, and materiality of impact within an industry
- > **Weighting and Liquidity:** equal weighted index with quarterly rebalancing; stocks are grouped into weighting bands based on their particular market cap

Returns Comparison



Industry Breakdown – where PZD is invested



How ESG Fits Into the Process:

- > **Global Opportunity:** ETF was developed to capture the investment potential associated with the economic value of clean technologies
- > **Economic Value:** cleantech products are considered to be knowledge-based that add economic value by reducing cost, raising productivity while reducing resource consumption and negative impact on the environment or public health
- > **Areas of Focus:** cleantech industry specifics include energy-related, transportation and logistics, agriculture and nutrition, environmental quality and safety, water, industrial, and advanced materials